

STATE REVOLVING LOAN FUND ANNUAL REPORT HIGHLIGHTS OF OPERATIONS - JULY 1, 2002 TO JUNE 30, 2003

I. INTRODUCTION

The Louisiana Department of Environmental Quality (the "DEQ" or the "Department"), Financial Services Division, in compliance with the Environmental Protection Agency (the "EPA") rules and regulations and federal grant requirements, submitted the State Revolving Loan Fund Annual Report for the fiscal year ending June 30, 2003 on September 12, 2003. This report describes how the State of Louisiana has met the goals and objectives identified in its Intended Use Plans and grant agreements.

The Financial Services, Environmental Technology and Environmental Evaluation Divisions (the "Divisions") within the Louisiana Department of Environmental Quality are responsible for the operations of the State Revolving Loan Fund Program (the "SRF") in the State of Louisiana. The Divisions provide assistance to municipalities in the development, financing and implementation of wastewater treatment management plans and plants. Engineering oversight, design review and inspection services are provided by the Environmental Technology Division; environmental assessment services are provided by the Environmental Evaluation Division and grant management, program administration and financial services are provided by the Financial Services Division on eligible wastewater treatment projects. All efforts are directed toward improving water quality by assisting communities in providing wastewater treatment processes that meet established effluent limits and achieve the goals of the Clean Water Act.

II. FY03 PROGRAM HIGHLIGHTS

Louisiana's SRF program has received fifteen EPA capitalization grants. All fifteen grants awarded to Louisiana since the inception of the SRF program amount to \$234,933,068 with a 20% required match of \$46,986,614 for a total of \$281,919,682. Capitalization grant monies are made available to the State through the EPA's Automated Clearing House payment system (the "EPA ACH").

The State of Louisiana has provided its required state match on estimated Federal grant awards in various ways including cash appropriations, a State Letter of Credit (the "State LOC"), a Match Bond issue and Tobacco Settlement Revenues. The State has deposited a total of \$50,252,948 in State Match into the fund. This includes \$3,266,334 more than is required and meets Louisiana's proportionate share requirement prior to accessing the EPA's ACH.

Under the terms of the grants, four percent (4%) of the federal award is allocated to fund the administrative costs of operating the Program. At June 30, 2002, a balance of \$1,411,807 in unexpended 4% funds was available for program administration. During FY03 \$901,185 was expended to fund program administration and \$586,208 was added from the 2003 Grant resulting in a balance of \$1,096,830 of the 4% funds available to fund the administrative costs of operating the program. An administrative fee of 0.5% is assessed on all outstanding loan balances. These fees are held outside the Federal SRF. As of June 30, 2003, this account reported assets of \$6,825,173. These funds are being collected and held to administer the program when the 4% administrative set aside generated by the capitalization grant is no longer available.

Four loans totaling \$40,330,000 were awarded during the reporting period. Seventy loans (sixty-six construction and four interim) with face values totaling \$347,802,900 have been awarded to date. A total of \$24,150,087 in disbursements on loans has been made during this reporting period. Actual Federal cash draws were \$4,246,650 and capitalization grant revenue for this reporting period were \$4,296,650.

Louisiana's SRF Program operates as a direct loan program. Federal and State monies are lent directly to municipalities. During FY 03, the Fund earned \$1,074,399 in interest on cash on hand and \$6,507,547 of interest on outstanding loan balances.